

Jim Wrynn's Opening Statements As Co-Chair of the Rating Agency Working Group

- Good morning. Welcome to the Rating Agency Working Group Public Hearing on Credit Ratings and Insurance Regulation.
- My name is Jim Wrynn and I am the Superintendent of the New York State Insurance Department. Let me start out by thanking all of you for participating in this important project today.
- As most of you know, state insurance regulators are responsible for ensuring solvency of the regulated insurance companies. As part of this process, the NAIC and the states use ratings to determine the risk-based capital charge for rated bonds, as well as setting limits on insurance company investment risk exposures. It is imperative, therefore, that we all have confidence in the rating process.
- The economic crisis has resulted in steep rating downgrades and drops in asset values, causing us as regulators to ask ourselves if the traditional ratings model adequately measure risk, especially the risk of structured securities.
- The US Treasury, the G-20 and even the ratings' agencies themselves have recently questioned the reliance on credit ratings of regulators around the world. We must now ask ourselves whether, to what extent and in what manner we should keep relying on ratings from the credit rating agencies.
- We have broken today's hearing into three panels.
- Our first panel will help us explore the history and the traditional role of ratings in insurance regulation.
- The second panel will explore what went wrong during the financial crisis with credit ratings, what changes credit rating agencies have made in response, and what still needs to be done to correct it.
- Lastly, we'll discuss recommendations and alternatives to the traditional ratings system.
- Before we begin, please allow me to introduce the distinguished regulators at the table with me today who will be asking questions of all our panelists.
- First, let me introduce my co-chair and moderator of today's hearing, Director Mike McRaith of Illinois.
- Regulators from other states, and we'll list them in alphabetical order of the state are:
 - From Connecticut, Commissioner Tom Sullivan and Kathy Belfi
 - From Florida, Belinda Miller
 - From New Jersey, Robert Kasinow
 - From Virginia, Van Tompkins

- From Wisconsin, Commissioner Sean Dilweg and Kimberly Shaul
- And also with us, Kevin Fry of Illinois and Hampton Finer of New York
- And with that, let me turn this over to Director McRaith to introduce the panel and begin the questioning